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September 28, 2006

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: CC Docket No. 96-45
WC Docket No. 05-337
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

On September 28, 2006, F.J. Pollak, President and Chief Executive Officer of TracFone Wireless, Inc., Leighton Lang, Assistant General Counsel of TracFone Wireless, Inc., Cesar Conda of DC Navigators, LLC, and I, met with Commissioner Robert M. McDowell, John W. Hunter, Chief of Staff and Senior Legal Advisor to Commissioner McDowell, and Angela E. Giancarlo, Legal Advisor to Commissioner McDowell. The purpose of the meeting was to brief Commissioner McDowell and his staff on TracFone's prepaid wireless telecommunications service business and to describe TracFone's positions on several issues relating to the Federal Universal Service Fund.

Specifically, we described TracFone's concern that replacement of the current revenues-based contribution methodology with an alternative contribution methodology such as a methodology based on working telephone numbers would result in significant increases in the cost of universal service borne by prepaid wireless providers and consumers of their services. We also discussed the importance of taking responsible steps to ensure that universal service support is distributed in a responsible and efficient manner. In this regard, we commended the Commission for inviting public comment on a reverse auctions approach for distributing high cost support.

During the meeting, we provided several documents to Commissioner McDowell and his staff. These include a PowerPoint presentation captioned "TracFone Wireless, Inc. Presentation to

Commissioner Robert M. McDowell September 28, 2006.” A copy of that presentation is attached to this letter. In addition, we provided Commissioner McDowell and his staff with several documents previously filed in Docket No. 96-45. These include an ex parte letter dated March 3, 2006 filed by Verizon, an ex parte letter dated April 18, 2006, filed by AT&T, and an ex parte letter dated May 2, 2006, filed by TracFone. The Verizon and AT&T letters acknowledge that prepaid wireless warrants appropriate treatment if the Commission adopts a numbers-based contribution methodology. TracFone’s letter responds to a proposal made by CTIA - The Wireless Association, regarding universal service funding.

Pursuant to Section 1.1206(b) of the Commission’s Rules, this notice is being filed electronically in the above-captioned dockets. If you have any questions regarding this matter, please feel free to contact undersigned counsel for TracFone.

Sincerely,

A handwritten signature in black ink, appearing to read 'MFB', with a long horizontal flourish extending to the right.

Mitchell F. Brecher

Attachments

cc: The Honorable Robert M. McDowell
Mr. John W. Hunter
Ms. Angela E. Giancarlo

TRACF[®]ONE

wireless, inc.

Presentation to

Commissioner Robert M. McDowell

September 28, 2006

About TracFone Wireless

- TracFone is the nation's largest provider of prepaid wireless services, with over 7 million customers.
- TracFone does not own or operate telecom facilities but operates a "virtual network" using services of over 25 wireless carriers nationwide.
- This enables TracFone to serve customers in every state in the U.S., in virtually every location where wireless telecommunications is operational.
- TracFone is a subsidiary of American Movil SA, based in Mexico, which has over 110 million cellular customers throughout the Americas.
- Since 2002, TracFone has been active in Universal Service matters before the Commission and has advocated reforms which the Commission has implemented to enhance the stability of the Universal Service Fund (e.g., increasing the wireless safe harbor, encouraging expansion of the USF to include VoIP services).

About TracFone Wireless and the Prepaid Wireless Industry

- The prepaid wireless industry currently serves over 30 million Americans.
- Based on the number of customers served, today's prepaid industry is equal in size to the entire cellular industry in 1995.
- TracFone's prepaid wireless offerings appeal to low-volume and low-income consumers who cannot afford or qualify for conventional local telephone or wireless service plans
- Prepaid customers purchase airtime from retailers on a "pay-as-you-go" basis – there are no bills, contracts, term or volume commitments, and no termination penalties for prepaid.
- TracFone practices "truth-in-billing" – the advertised price is the actual price – no hidden taxes, "regulatory fees", deposits or penalties.

Communications Policy Issues

UNIVERSAL SERVICE REFORM

- Distribution of USF funds, especially high cost funds, needs to be reformed. Funds are being distributed in a wasteful, inefficient manner, and growth in the size of the USF (now at \$7 billion per year) must be limited.
- A reverse auction approach has the potential to make universal service support more efficient by ensuring that USF funding goes to the providers who can provide service in high cost areas with the least amount of USF support.
- Universal Service support should be focused on need, not high cost. Where high cost support is necessary, it should be distributed in the most efficient manner.
- The Commission should address the distribution side of USF reform before considering changes to the contribution methodology

Communications Policy Issues

UNIVERSAL SERVICE REFORM

- A numbers-based contribution methodology would cause substantial cost increases for low volume, low income users and for the providers who serve them.
 - A numbers-based system would increase TracFone's monthly per customer contributions from about \$0.10 to \$1.00 or more. Even with the so-called "discount" proposed by CTIA, TracFone's USF costs would be increased to \$0.50 per customer – more than 500%.
 - Other groups would be adversely affected, including colleges and universities, hospitals, small businesses, local governments.
 - Recent stability of the contribution factor and the anticipated increases in USF support from the changes ordered by the Commission in June counsel against near-term change to the contribution methodology
 - Several major telecom companies, including Verizon and AT&T, have noted that prepaid wireless has unique circumstances which must be addressed in any change to USF funding rules.

Communications Policy Issues

Lifeline Support

- Lifeline – The Lifeline program remains underutilized with only about one-third of eligible low income consumers participating in Lifeline.
- The recently-concluded Katrina Lifeline program demonstrated how important such programs can be to persons in need. TracFone signed up about 25,000 customers under that program.
- TracFone calls on the Commission to approve TracFone's applications for ETC Lifeline designation in 8 states and to reverse the declining rate of households with local or wireless phone service.